

ALBUQUERQUE ECONOMY

The situation in the Albuquerque economy is similar to the nation as a whole. Although Albuquerque has increased employment, the growth rates through FY/04 are very moderate. The unemployment rate in Albuquerque increased from around 3% in FY/01 to 5.1% in FY/02. In FY/03 and in FY/04 the unemployment rate was 5.2%, but it is now declining. As at the national level the employment rate decreases but does not return to the low levels experienced before the recession of 2001. Growth of non-agricultural employment is only now starting to reach long term averages.

The classification of industries has changed with a movement from the Standard Industrial Classification (SIC) code system to the new North American Industrial Classification System (NAICS). This system provides a framework for classification of industries that is the same for all of North America and updates some of the definitions for newer industries. While the largest sectors in the Albuquerque economy were trade (retail and wholesale) and services under the SIC definition, these sectors were broken up and the distinctions are now quite different. For instance, retail trade under the SIC classification included eating and drinking establishments. The "eating and drinking" category is now included in the hospitality sector that also includes hotels (this was in the service sector under SIC code). A table at the end of this section provides sector employment numbers for FY/99 to FY/09 by the NAICS categories.

Trade Transportation and Utilities. This sector has posted slow growth and from FY/00 to FY/04 lost 325 jobs. The largest piece—retail trade—had an average annual increase of only 0.8% for this period. Retail food store employment has suffered, and the local electric and gas utility lost approximately 75 workers in the area in 2003. Retail trade seems to be experiencing a consolidation with expanding big stores, allowing fewer employees to provide sales service. The forecast has moderate growth in this sector; with an average annual growth of 1.1%.

Manufacturing. This sector accounted for 8.5% of employment in 1993 declining to 6.3% in FY/04. Employment peaked in FY/98 at 28,242,

declining to 23,033 in FY/04, a loss of over 5,000 jobs. Still the manufacturing sector has held up better in Albuquerque than it has in the U.S. economy. These job losses were due first to the Asian financial crisis of 1998, which hit telephone manufacturing and hurt the local employment of Motorola and Philips. Motorola sold what little manufacturing capacity it had left in 1999 and Philips closed its plant in October 2003. Intel, after expanding in 1995, has held employment rather constant despite a \$2 billion expansion in 2002. The employment declines slowed some in FY/04 but still suffered a loss of 4.3%. In FY/05 employment is expected to increase 1.3%. Growth continues at an increasing rate and for the entire forecast averages 5.3%. This includes jobs from the TempurPedic mattress factory and growth in the out years with the addition of 2,000 jobs for Eclipse Aviation. New jobs in the aerospace industry also come from several other manufacturers helping to diversify the local economy.

Educational and Health Services. Albuquerque is a major regional medical center. Presbyterian Hospital and its HMO are one of the largest employers in the area. This is one of the fastest growing categories in the MSA economy. In the past 10 fiscal years this sector had average growth of 4.2%. In FY/02 and FY/03 growth was 6.3% and 5.7% respectively. In FY/04 growth was 4.8% and is expect to post growth of 4.6% in FY/05. Much of this growth is due to a change in Medicare policy that allows payment for home healthcare. Growth tapers off with the average annual growth in the forecast of 2.5%.

Leisure and Hospitality. This category includes eating and drinking establishments as well as hotels and other travel related facilities. Growth was only 1.3% in FY/03 but FY/04 had growth of 2.7%. Lodger's tax showed an increase of almost 5% for the same period, indicating a pickup in travel after a slow period. Since 1995 the stock of hotel rooms in the City has increased significantly with over 3,400 additional hotel and motel rooms being permitted. For the remainder of the forecast this sector is expected to slow with an average annual growth of only 1.2%.

Financial Activities. This sector includes finance and insurance including credit intermediation. The sector increased employment by an average of 2% per year, despite consolidations in the banking industry and a 2.7% decline in FY/02. The sector was buoyed by strong growth in the insurance carrier industry. This includes about 500 jobs created in 2002 and 2003 by Blue Cross. FY/04 had growth of about 1% and FY/05 is expected to grow at 1%. The forecast anticipates growth of around 1.2% in the remainder of the forecast.

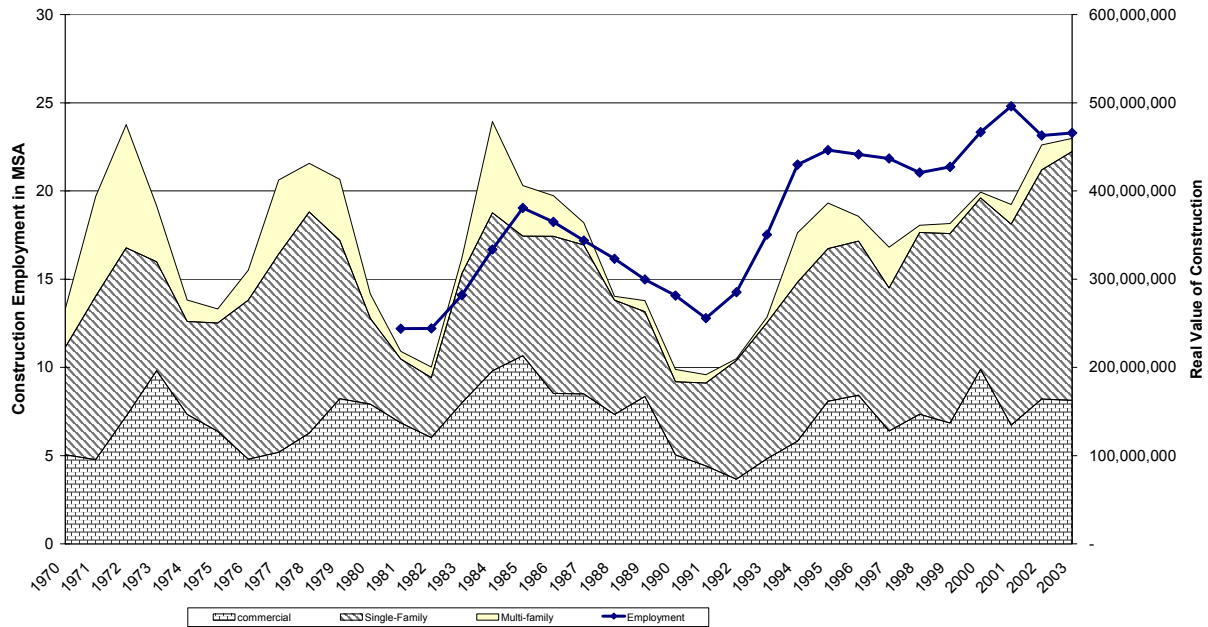
Professional and Business Services. This sector includes temporary employment agencies and some of Albuquerque's back-office operations. It also includes Sandia National Labs (SNL). This sector had average annual growth of 3% in the past decade, but suffered declines of 2% and 0.6% in FY/02 and FY/03 respectively. The professional, scientific, and technical service sub-sector shows stronger growth. The New Mexico Department of Labor (NMDOL) shows increases of 600 jobs during the year ending September 2003. A large source of these increases is hiring at SNL. The sector in FY/04 had growth of only 0.2%, but is expected to increase 3.5% in FY/05. The forecast for this category has average growth of 2.7% for FY/05 to FY/09.

Information. This sector includes businesses in publishing, broadcasting, telecommunications,

and internet service establishments. This sector was very strong in the 1990s but suffered a decline of 7.5% in FY/03 and 5.1% in FY/04. This trend continues with an expected decline of 3.2% in FY/05. The most recent decline is primarily from layoffs at the MCI call center of about 880 jobs. The sector is expected to rebound and is forecast to grow at an annual average rate of 3.7% in the forecast period.

Construction. Construction is typically cyclical, with large swings in building and employment. The following chart shows the real value of single-family, multi-family, and non-residential new permits from 1962 to 2003 (deflated by the CPI; 100=1982-84). Four distinct peaks occur in 1973, 1979, 1985 and 1995. There was only a slight decline from the 1995 peak and the real value of construction has exceeded this level. The increase is driven primarily by residential construction. Commercial construction in real terms has remained relatively flat and the total annual value of construction has not reached any of the previous peaks. In the past the cycles were accentuated by large buildups of multi-family housing, in part, to capture tax breaks that are no longer available. After overbuilding, vacancy rates would increase dramatically and apartment building would cease for several years. Since 1995, single-family construction has made up a larger share of total construction and multi-family construction has remained subdued.

**Construction Values In City of Albuquerque Deflated by CPI
and Employment in the MSA in Thousands**

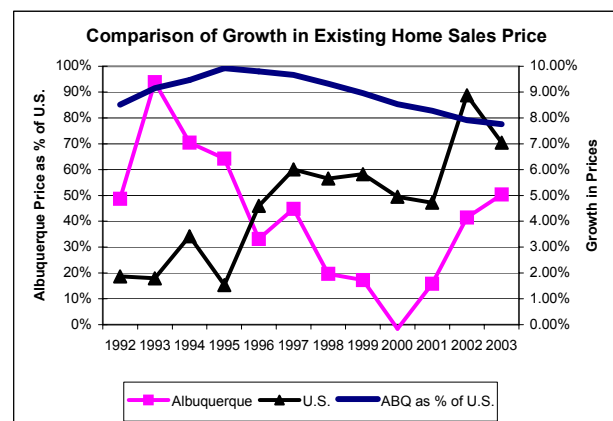
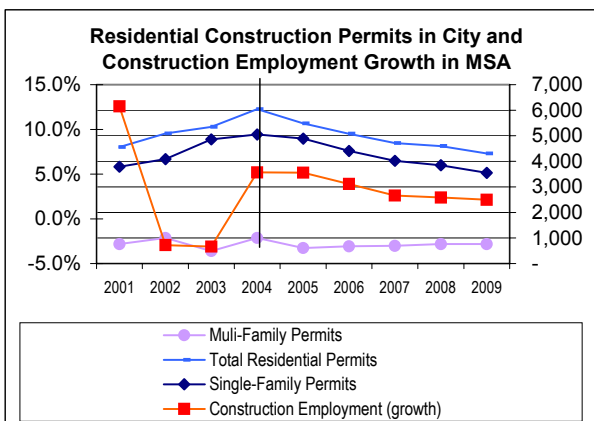
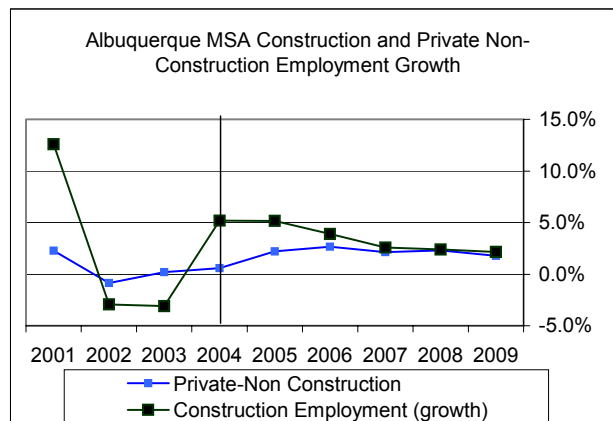
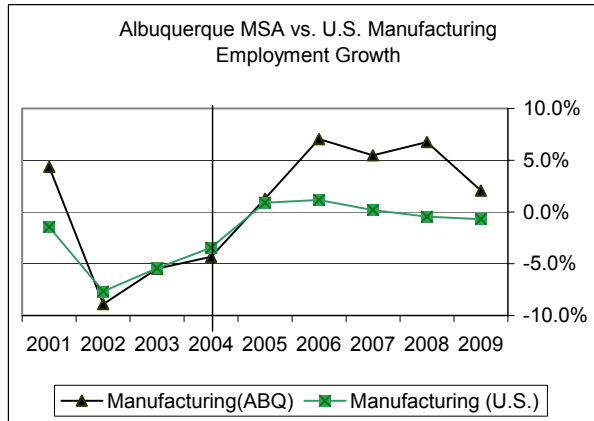
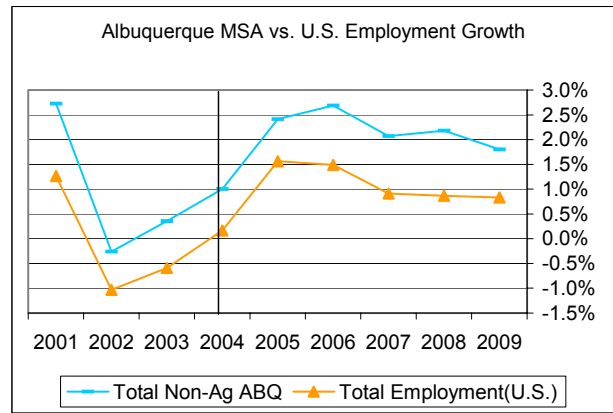
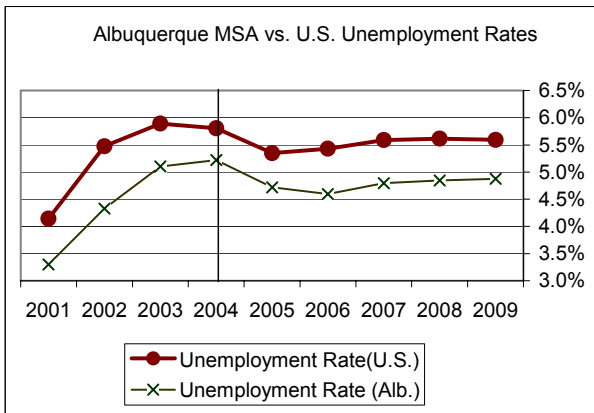


Employment in the construction sector was very strong in 2000-2002, driven in large part by the Intel project and the Big-I reconstruction project. The Big-I was completed ahead of schedule in June 2002, and the Intel project was finished in June of 2002. As these jobs were lost we saw a reduction in employment in FY/02 and some additional losses in FY/03. In FY/04 growth was 5.2% and in FY/05 employment is expected to exceed the peak in FY/02. Growth is expected

to continue for the forecast with average annual growth of 2.8%. While permitting at the City, particularly residential, is expected to decline other areas will experience strong growth. The City information on permits does not include several important measures of construction. It does not include projects built by the State of New Mexico, the federal government, construction of roads, or water/sewer systems. All of these projects do generate gross receipts.

LOCAL ECONOMIC VARIABLES HISTORY AND FORECAST

By Fiscal Year BBER FORUNM October 2004 Baseline



Employment by NAICS Categories (in thousands)												
FISCAL YEARS	History					Forecast					Growth 2000 to 2004	Growth 2004 to 2009
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		
Total Nonagricultural (Does not include military)	349.425	358.950	358.008	359.283	362.883	371.640	381.626	389.528	398.010	405.178	0.9%	2.2%
Natural Resources And Mining And Construction	21.992	24.758	24.033	23.292	24.500	25.767	26.774	27.468	28.126	28.730	2.7%	2.8%
Manufacturing	26.792	27.958	25.467	24.075	23.033	23.330	24.973	26.339	28.118	28.699	-3.7%	5.3%
Computer And Electronics Manufacturing	11.450	12.350	11.258	10.433	9.792	9.757	9.786	10.101	9.964	9.759	-3.8%	0.0%
Wholesale Trade	13.733	13.975	13.492	13.175	12.833	12.858	13.009	13.044	13.095	13.154	-1.7%	0.6%
Retail Trade	40.425	41.300	40.992	41.600	41.717	42.296	42.918	43.712	44.177	44.642	0.8%	1.4%
Transportation, Warehousing, And Utilities	11.050	10.825	10.358	10.458	10.333	10.478	10.532	10.600	10.693	10.790	-1.7%	0.7%
Information	10.875	11.233	11.400	10.542	10.008	9.684	10.050	10.289	10.706	11.211	-2.1%	3.7%
Financial Activities	19.483	19.567	19.033	18.775	18.950	19.139	19.575	19.654	19.847	20.108	-0.7%	1.2%
Professional, Scientific And Technical Services	26.592	26.858	26.958	27.783	28.383	29.058	29.782	30.574	31.477	32.355	1.6%	2.7%
Management/Administration/Support	30.842	31.725	30.433	29.292	28.775	30.099	31.095	31.857	32.805	33.328	-1.7%	2.6%
Educational And Health Services	36.975	37.942	40.308	41.950	43.975	46.005	47.343	48.600	49.769	50.876	4.4%	2.5%
Leisure And Hospitality	32.542	33.667	34.092	35.042	35.983	36.690	37.353	37.693	38.063	38.546	2.5%	1.2%
Food Services And Drinking Places	25.133	25.950	26.475	27.200	28.000	28.563	29.167	29.513	29.909	30.405	2.7%	1.6%
Other Services	10.792	11.008	11.242	11.617	11.867	12.082	12.323	12.570	12.751	12.946	2.4%	1.7%
Government	67.333	68.133	70.200	71.683	72.525	74.155	75.900	77.125	78.377	79.785	1.9%	1.8%
Local Government	31.492	32.200	33.808	34.575	35.017	35.947	36.636	37.426	38.221	39.031	2.7%	2.1%
State Government	21.817	22.233	22.558	23.067	23.725	24.068	24.673	25.078	25.487	26.033	2.1%	2.0%
Federal Government	14.025	13.700	13.833	14.042	13.783	14.139	14.592	14.621	14.669	14.720	-0.4%	1.0%
Military Employment, Thousands	6.575	6.407	6.432	6.603	6.688	6.678	6.638	6.627	6.627	6.627	0.4%	-0.2%

